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Military Market serving the military retail system

OCTOBER 1984/VOLUME 35/NO. 10
Army Times Publishing Company
A Division of The Times Journal Company

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MILITARY MARKET, (USPS 911-580)
Military Market is published 12 times a year by the Army Times Publishing Co., a division of The Times Journal Co., Springfield, VA 22159-0210. Single copies, $2, except January Buyers Guide and July Almanac and Directory issues, $5 each. Yearly subscriptions within the U.S., $20; for civilian addresses outside the U.S., $25. Second class postage paid at Springfield, VA, and additional mailing offices. **POSTMASTER:** Send address correction to Military Market Magazine, Springfield, VA 22159-0210.

Military Market survey

Commissary Coupons:
'Just as Good as Money'

THE COUPON CRAZE appears to be raging just as fiercely in the commissaries as it is in civilian counterpart grocery outlets, according to the results of this month's survey of 20 commisssary managers from the resale systems. Thirteen store managers felt coupon redemptions were on the rise, while only a slim three respondents felt that couponing had abated at all within the last year.

Virtually all the commissary managers contacted were enthusiatic and receptive to even more coupons being offered by manufacturers. "After all, they're just as good as money, and the name of the game is to save the patron all the money we possibly can."

One TSA commissary manager said that he checks out the grocery stores in the nearby community periodically to see what coupons the maufacturers are offering civilian stores. "If my broker is not passing along those same price breaks to my store, I'm on the phone and asking somebody why not."

One manager, however, felt that the coupon habit had gone far enough, saying, "There comes a time when you can run just about everything into the ground. You can do too much of a good thing."

Many reasons were cited by the various store managers for the rise in coupon redemption in their stores. Many fingered economic conditions as being the principal stimulus. "Coupons seem to follow the economy," says one NAVRESSO store manager. "When times are good, coupons trail off a bit, and the reverse seems to be true."

While frozen foods and household items such as paper products and soap led the parade of products with the most couponing action, managers pointed out to MILITARY MARKET that in terms of percentages off, cigarettes and coffee often afforded the patron particularly good shopping values with coupons. "Pet foods are another one. There's not a lot of couponing here, but when there is, it's usually at least a dollar or two off."

Managers said they did not think the use of coupons was any greater among patrons who also use food stamps for their food purchases. One store manager remarks, "It often seems as if the shopper who might benefit the most from using coupons is the very shopper who uses them the least."

Commissary managers were in virtual agreement about the savings potential offered by coupons, however, as 17 of them felt that the surcharge could easily be recouped by clipping coupons. "Beating the surcharge is exactly what they're trying to do," is the way one AFCOMS store manager explained it.

There doesn't seem to be much preference among store managers to begin offering double coupons.

One area in which store managers were thinking alike was the need for coupon standardization in the future. An overwhelming 19 of the 20 managers surveyed said there was a need for coupons to become more similiar in size, shape, appearance and uniformity of printing. "This would not only help the stores, but the customers as well," said another TSA store manager.

Coupon fraud does not seem to be a very significant problem. "The closest thing to any fraud has been trying to pass an expired coupon," comments another manager. Several of the managers stressed the point that any incident of coupon fraud was grounds for immediate dismissal of an employee.

Coupon trading boxes were found to be prevalent as well, with 16 of the 20 stores offering the popular boxes. Several wives' clubs and libraries also offer coupon boxes for patrons to stock up on their coupon collections.

MM

1 — IS THE USE OF COUPONS IN YOUR STORE UP, DOWN OR THE SAME AS LAST YEAR?
Up — 13. Down — 4. About the same — 3.

2 — TO WHAT DO YOU ATTRIBUTE THE CHANGE?
Economic conditions — 8. More customer interest — 5. Companies push coupons more than in the past — 5. Other — 2.

3 — WOULD YOU LIKE TO SEE EVEN MORE COUPONS ISSUED?
Yes — 16. No — 3. Neutral — 1.

4 — WHICH TYPES OF PRODUCTS ARE MOST OFTEN PURCHASED WITH COUPONS?
Breakfast cereals — 1. Coffee — 4. Frozen foods — 6. H&BA — 1. Pet food — 2. Prepared foods — 1. Household Items: Paper products, soap, etc. — 4.
Dairy — 0. Cigarettes — 1.

5 — IS THE USE OF COUPONS ANY GREATER AMONG PATRONS WHO ALSO USE FOODS STAMPS?
Yes — 5. No — 11. Don't Know — 4.

6 — DO YOU THINK A PATRON CAN BEAT THE SURCHARGE BY USING COUPONS?
Yes — 17. No — 3.

7 — WOULD YOU LIKE TO BE ABLE TO OFFER DOUBLE COUPONS?
Yes — 0. No — 20.

8 — WOULD YOU LIKE TO SEE COUPONS BECOME MORE STANDARDIZED IN THE FUTURE?
(i.e.: size, placement of cents-off, material, etc.)
Yes — 19. No — 1.

9 — HAVE YOU EVER ENCOUNTERED ANY INSTANCES OF COUPON FRAUD? IF SO, COULD YOU EXPLAIN, AND DO YOU FEEL THIS IS COMMON?
(See story above)

10 — DO YOU OFFER A COUPON BOX FOR TRADING AND EXCHANGE OF PATRONS' COUPONS?
Yes — 16. No — 4.

Tobacco:
Marketers Scurry as Brand Loyalty Diminishes

The tobacco market is rapidly changing, as time-honored marketing techniques relying exclusively on brand loyalty fall by the wayside. Market segmentation by price, value, age, sex and lifestyle are replacing the former rules of the game.

By JAY BLUCHER
Associate Editor

"SMOKE 'EM IF you got 'em," is a well-known expression in the military. Recruits, whether smokers or not, quickly learn that this offhand remark by the drill sergeant means a rest break is coming up. If heard in the midst of a rigorous 20 or 40-mile march, it denotes an especially welcome reprieve.

In the past, when nearly all recruits smoked, the "smoke" command was taken at face value, and literally meant to light up. But with today's awareness about the potential health hazards associated with smoking, there's a lot more resting than smoking going on, and that's become bad news for cigarette marketers. "Sometimes it seems as if we are fighting an uphill battle on all fronts," remarks the spokesman for one major cigarette manufacturer.

But there's no danger that military people are going to quit smoking. Just as longtime traditions like the smoking break continue to be part of military lore, cigarettes and other tobacco products still occupy a traditional niche within the military psyche:

"One of the long lasting impressions I think many civilians have about the military is a mental picture of a soldier emerging from the commissary with both arms loaded with bags of groceries and cartons of cigarettes sticking up at the top," laughs one Army commissary manager.

Such a picture is not far-fetched. Exchange and commissary sales figures for cigarettes and tobacco products point to the military consumer as the motherlode of sales opportunity for cigarette companies.

Worldwide military on-base sales for cigarettes topped the $725 million mark in calendar year 1983, and are projected to reach $933 million by 1988 if present purchasing trends continue. Exchanges accounted for some $370 million in cigarette sales; commissaries garnered $274 million, and the club systems chipped in for another $81 million in sales, according to statistics compiled by the *Army Times* research department.

In fact, in the entire *worldwide* military market (commissaries and exchanges combined), cigarettes represent the third largest sales category, surpassed only by meat and civilian clothing. The sale of cigarettes handily eclipses such high-volume categories as consumer electronics, health and beauty aids and household supplies.

Cigarettes occupy the No. 3 position in the *domestic* military market as well, with more than $587 million worth of smokes sold in ConUS outlets.

Cigarette consumption by members of the military is significantly greater than the U.S. average, too. The average per capita use in the U.S. currently stands at 3,494 cigarettes (about 17 cartons) per year, according to figures from the Census Bureau. But military per capita use is an astounding 8,591 cigarettes (42 cartons) per year at the worldwide level, 8,200 cigarettes (41 cartons) on the domestic front, and an incredible 10,229 cigarettes (51.5 cartons) per year in the overseas market.

ON-BASE CIGARETTE SALES GROWTH

YEAR	COMBINED TOTAL	EXCHANGE	COMMISSARY	CLUB
1983	$725.5	$369.9	$274.5	$81.1
1982	708.5	364.8	269.5	74.2
1981	668.0	347.8	251.0	69.1
1980	619.5	332.4	223.3	63.8
1979	574.0	308.2	207.2	58.6
1978	560.5	314.3	190.3	55.9
1977	518.1	294.6	171.4	52.1
1976	499.1	281.6	168.0	49.5
1975	489.4	273.6	167.0	48.8
1974	447.0	251.0	150.0	46.0
1973	431.7	249.0	139.7	43.0

$ in millions for worldwide military
SOURCE: Army Times Research Department

TOBACCO

Sales within the military have continued to show steady growth over the last decade, a trend envied by the civilian marketplace, where tax increases have doubled the price of cigarettes and hurt sales.

In 1973, exchanges accounted for worldwide sales of cigarettes of $249 million and in 1983 enjoyed more than $369.9 million in sales, a 48 percent increase for the decade. Commissaries have witnessed growth from $139.7 million in 1973, to the current 1983 figure of more than $274.5 million, a 96 percent increase. Club systems have experienced healthy growth as well, from $43 million in '73, to more than $81 million in 1983, or 88 percent growth. *(These figures do not take into account the effects of inflation, which during the mid-'70s were considerable. See chart for specific sales figures.)*

Eroding Brand Loyalties

For years cigarette marketers operated on the premise that cigarettes enjoy the greatest degree of brand loyalty among all product categories. Savvy marketing techniques and the continual reinforcement of brand identity was their *modus operandi*. Such techniques helped stave off the adverse publicity and challenges to the public acceptability of smoking for years.

And it's no secret that tobacco companies spend millions of dollars each year promoting their brands, diligently attempting to distinguish each brand cigarette from the other 220 competing brands on the market. "For years that was a prudent plan of action," says one tobacco marketer.

But there are changes afoot. "The market is definitely a totally different animal than 10 years ago," this man who, like most other manufacturer sources contacted for this article, did not want to be identified, continues. "Today's shopper has a lot more choices to make than just between brands and taste."

Many tobacco people agree that brand loyalties are generally weakening among smokers. They cite as evidence the proliferation of new low-tar and ultralow-tar brands in recent years. One exchange manager feels, "My customers are more willing to try something new. There's still brand loyalty, but it isn't nearly as strong as it was a couple of years ago. They are more price and value conscious than ever before."

Despite the macho image of the military, light cigarettes now routinely account for more than one-third of all sales within military outlets, and according to one Navy exchange manager, "Women are buying the lights more than anyone else."

Another store manager points out, "Cigarettes are a good drawing card. They know if they [civilian retailers] put a good price on cigarettes, they're going to get the people. That's one product that I have noticed shoppers will drive out of their way for. Single pack sales are different, however. That's strictly convenience."

With high brand loyalty, price sensitivity was virtually non-existent in the past. But for civilians, all that changed on Jan. 1, 1983, when the federal excise tax on cigarettes doubled from 8 cents to 16 cents. Although cigarettes sold in the military are exempt from these taxes, there remains some concern that this will not always be the case.

Bemoans one store manager, "Cigarette prices have increased more than 100 percent in less than seven years, and you just don't see that in other products. The whole issue of tax-free cigarettes for the military comes up every time you talk about cigarettes. The states can rightfully claim they are losing a lot of revenue to the on-base sale of cigarettes. [The exemptions] may not last forever."

Outside the tax-free gates, however, the news is not good. "Overall sales are down between 4 percent and 5 percent, and we blame the tax increase for a large measure of that drop off," says Bill Toohey, spokesman for the Tobacco Institute, an industry trade association. In the wake of this slippage, the Tobacco Institute has been actively lobbying Congress to curb further tax hikes. (Toohey, incidentally, is one of those who foresees no imminent move to begin taxing tobacco products sold in the military.)

One bright spot for the industry, however, is that overall profits are rising, not only because of falling tobacco leaf costs, but also because of more efficient manufacturing methods. The *Value Line Investment Survey*, a guidebook for potential business investors, points out that the tobacco industry now has the technological capability to produce 6,000 cigarettes a minute, compared with 4,000 only a few years ago.

Value Line says that industry-wide operating profits are expected to expand at a double-digit rate in 1984 — in spite of the fact that many private analysts predict that the total number of cigarettes sold is expected to go up less than 1 percent this year.

Newfound Price Sensitivity

Cigarette marketers have some new concerns to address in their marketing strategies — value, price and segmented audiences. Although these are standard in other product categories, they are relatively new to the tobacco crowd.

Cigarette brands with a market share of one percent or less made up a whopping 42 percent of industry sales in 1983, reports Don Bores, director of trade development for Brown & Williamson.

Increasingly, manufacturers are devising brands that target customers by sex, age, and even geography. Some of the more pervasive trends are those that target specific cigarettes to women, to "macho" males, and more upscale audiences.

Evidence of an increasing concern toward specific targeting of the customer base is readily found by the trend toward bigger packs, such as Philip Morris' recent introduction of 25-count packs of Marlboro Reds and Marlboro Lights, in addition to its traditional 20-count packs. The new packaging began test marketing (including the military) in July '84. "The new offering has exceeded our expectations in the military," says Ted Costas, military sales manager for Philip Morris.

R.J. Reynolds is tinkering with its revamped More Light 100s brand, which were scheduled to get darker cigarette papers and new packaging in September. (The company also recently announced it will introduce a new brand to be jointly produced with two Chinese companies. RJR's participation in the joint venture makes it the first foreign cigarette company to enter the People's Republic of China's domestic cigarette market, billed as the world's largest.)

Industry analysts tell MILITARY MARKET that 1983 marked a period of relatively few new product introductions from the major companies; re-formulations and fine-tunings of existing

lines were more prevalent. "The introduction of a new cigarette carries an awesome price tag of about $80 million," advises one industry official.

Heavyweights Vie for Shares

In the brand-conscious world of cigarettes, one marketer introduced the plainest Jane of all when it boldly rolled out a generic cigarette in 1980. Ligget & Myers' generic now garners a 4.50 percent market share in the civilian market and a 10.57 percent market share in the total military market, according to research conducted by the company. "Not bad for a product that everyone scoffed at," says a company spokesman.

Debbie Harris, military sales manager for L&M, tells MILITARY MARKET, "Carton promotions, trade allowances and attended store sales have fueled our growth within the military."

Attended store sales, where company sales representatives stay in the store during an in-store promotion and hand out brochures and product samples, are especially important. "It really helps to reinforce our quality-seal 'Q-Label,' says Harris. "The patrons think of it as a Good Housekeeping Seal of Approval."

Liggett is also testing a new cigarette it has tentatively labeled Dorado, which the company says has been especially developed to appeal to Hispanic tastes. Where Dorado has been tested, it has garnered a 0.68 percent share of the local cigarette market. Though it sounds paltry, within the industry even a 0.5 percent share is considered very successful for a new product. Market research shows Hispanics are unusually brand loyal, die-hard fans of Philip Morris' Marlboro and R.J. Reynolds' Winston brands, so these companies can be expected to act competitively.

John Maxwell, tobacco industry analyst for A.G. Becker Paribas, New York, and author of the industry's trade barometer, the Maxwell Report, believes the generic and private-label category will continue to grow, perhaps to 10 or 15 percent of the market by the end of the decade.

Not content to let Liggett dominate the generic business, two industry heavyweights rolled out their own generics this past July. R.J. Reynolds introduced its repositioned Doral brand as a branded smoke at a generic price, while Brown & Williamson entered the fray with its own line of generic and private label smokes.

Liggett recently filed suit in federal court in Durham, Ky., to keep Louisville-based Brown & Williamson from using the letter 'O' on the top seal of

AAFES' 1984 WORLDWIDE CIGARETTE ASSORTMENT

DESCRIPTION	MAXWELL RANK	AAFES RANK
Marlboro, filter king size box	1	1
Winston, filter king size single pack	2	4
Marlboro, filter king size single pack	3	2
Kool, filter king size single pack	4	3
Pall Mall, Red non-filter king single pk	5	7
Marlboro Lts, filter king size single pack	6	6
Salem, filter king size single pack	7	8
Winston Lts, filter king size single pack	8	11
Winston 100s, filter single pack	9	14
Salem Lts, filter king size single pack	10	9
Camel, non-filter reg single pack	11	19
Marlboro 100s, filter single pack	12	10
Marlboro Lt 100s filter single pack	13	12
Merit, filter king size single pack	14	15
Vantage, filter king size single pack	15	21
Salem Long Lts, filter 100s single pack	16	13
Salem 100s, filter single pack	17	16
Winston Long Lts, filter 100s single pack	18	17
Newport filter king size single pack	19	5
Kool 100s, filter single pack	20	24
Benson & Hedges 100s, filter single pack	21	22
Merit 100s, filter single pack	22	23
Generic, Lts filter king	23	29
Marlboro Lts, filter king size box	24	32
Benson & Hedges menthol filter 100s	25	18
Camel, filter king size single pack	26	28
Generic, Lt filter 100	27	31
Camel Lts, filter king size single pack	28	25
Kent, filter king size single pack	29	35
Kool Milds, filter king size single pack	30	20
Vantage 100s, filter single pack	31	39
Pall Mall Gold 100s, filter single pack	32	30
Marlboro 100s, filter box	33	50
Benson & Hedges Lt 100s, filter single pack	34	26
Lucky Strike, non-filter reg single pack	35	46
Viceroy, filter king size single pack	36	40
Newport, filter king size box	37	38
Benson & Hedges Del Ult Lts, filter single pack	38	76
Virginia Slims 100s, reg filter single pack	39	44
Virginia Slims Lt 100s, menthol box	40	37
Benson & Hedges Lt 100s, menthol, single pack	41	27
More 120s, filter single pack	42	36
Carlton 100s, filter single pack	43	33
Kent Deluxe 100s, filter single pack	44	52
Virginia Slims 100s, menthol, filter single pack	45	47
Virginia Slims Lts 100s, filter box	46	58
Golden Lights, filter king size single pack	47	54
Raleigh, filter king size single pack	48	34
Kent III, filter king size single pack	49	49
Kent III 100s, filter single pack	50	63
Tareyton, filter king size single pack	51	55
More Menthol 120s, filter single pack	52	41
Golden Lights 100s, filter single pack	53	48
True Blue, filter king size single pack	54	53
Carlton, filter king size single pack	55	45
Generic, menthol filter king	—	42

SOURCE: AAFES

its generic and private-label cigarette packaging. L&M uses a black and gold 'Q' seal, which has been promoted heavily by the company, and for which a copyright application is pending. The suit asks the court to force B&W to stop using the 'O' and seeks unspecified compensatory and punitive damages.

In response to the suit, B&W issued the following statement: "We believe that our generic and private-label program is both lawful and highly competitive, and we will fight this lawsuit vigorously in order to protect our right to compete. We expect to succeed both in the marketplace and the courtroom."

The recently released Maxwell Report for 1984 shows that Philip Morris has moved out smartly ahead of longtime rival R.J. Reynolds, and now commands a 35.2 percent total market share, compared with 31.3 percent for R.J. Reynolds. Brown & Williamson holds down 11.2 percent; Lorillard and American Brands are running neck-and neck with 8.4 and 8.1 per cent respectively, and Ligget & Myers has grabbed a surprising 5.8 percent share on the strength of its generics.

Philip Morris' Marlboro brand remains the standardbearer for the industry, and four Marlboro varieties place in the top eight ranking of the 1984 Maxwell Report, according to Philip Morris MSM Costas. He credits Marlboro's masculine brand image for its dominant sales position saying, "Everybody loves a cowboy." The company has to date resisted entering the generic fray.

American Brands recently introduced luxury-packaged Carlton Slims, aimed at the women's segment of the market. The company relies on special promotions, in-store demonstrations and deep VPRs to solidify its military audience, according to Dan Conforti, public information manager for the company.

Lorillard introduced some line extensions of its Newport menthol brand, Newport Box 100s and Newport Lights Box 100s. The new entries are designed to capitalize on the growth experienced by both 100mm cigarettes and box-packaged smokes in 1983.

Assessing the Market

More than 50 million Americans (26.4 million men and 24.5 million women) continue to smoke, according to the federal office on Smoking and Health, a branch of the Public Health Service. Although many older smokers may have been unaware of the health risks when they first took up the habit several decades ago, virtually everyone knows today, at least vaguely, that cigarette smoking poses a risk.

Aware that cigarettes are a health hazard, nearly 90 percent of current smokers claim they would like to give up smoking. Eighty to 85 percent of those who have tried to quit, however, say they have relapsed within three months.

In December 1963, the now-infamous Surgeon General's report that first presented the hazards of smoking was published. Looking at the two decades since, smoking has declined, but not at the rate that might be expected. The prevalence of cigarette smoking — at an all-time high before the report — has declined slowly over the last two decades, from 42 percent of adult Americans to 33 percent at last count.

More than thirty million Americans say they have given up the habit. But those who do smoke, smoke more, according to the federal Office on Smoking and Health. From 1965 to 1980, the proportion of smokers lighting up 25 or more cigarettes daily grew from 25 to 34 percent among men and 14 to 24 percent among women who smoke.

Stogies Rebound

Cigar sales climbed for seven consecutive months in 1984, according to the Cigar Association of America, whose members produce 95 percent of the cigars sold in the U.S. First quarter sales were up 4.9 percent from the same period in 1983, with more than 3.54 billion sold that year. The association is actively trying to improve the image of cigars, portraying them as a tool of confidence and relaxation that successful middle-aged men desire.

This is welcome news for an industry which has been in a tailspin since 1964, when 8.9 billion were sold. Sales dropped more than 49 percent since that year. Analysts credit the aging of the baby boom population and society's desire to relax with fueling this surge in what had previously been a declining market. "They [baby boomers] are beginning to mature; they're hitting their mid-30s, which is when men traditionally start taking up cigars," explains one cigar manufacturer.

There has also been some speculation that more cigar-smoking role models are seen on television today than in previous years, which helps the cigar smoker's image. Tom Selleck of "Magnum P.I." and George Peppard of "The A-Team" are two examples.

Consolidated Cigar maintains the No. 1 slot, followed closely by John H. Swisher & Son, Inc. and General Cigar. General Cigar is targeting the smoker of premium cigars — those costing 80 cents or more apiece, and has redoubled its advertising and promotional efforts in both civilian and military outlets for its Garcia y Vega line.

Accessories Market

The distinctive metallic clink of a lighter is a sound virtually every sailor and soldier is familiar with. Military personnel belonging to historic units often purchase lighters with crests, engravings or other insignia adorning them.

"There's no doubt there is something of a love affair between lighters and the military," says a sales representative for Bic, the market leader in the disposables lighter category. Bic estimates it garners between 50 and 55 percent of the disposable lighter market. Disposables unit sales totaled about 450 million last year. Other major players include Scripto, with 24 percent, and Gillette's Cricket, with 16 percent share.

"Our disposable lighters do exceedingly well in the military," says Mike Robinson, military sales manager for Scripto. The company's newest introduction, Electra Lighter, has been accepted enthusiastically by each of the service's exchange buyers, he says — a situation Robinson said he "rarely encounters."

Scripto offers three distinct lines to the military. Its Mighty Match is targeted to the low end market, Ultra Light to the mid-price range and Electra Lighter to the high end. (High end in the disposables category is still under $1 in the exchanges.)

In the more upscale refillable category, Zippo's lighters have been popular with the military since 1932. In the company's early history, virtually all of its production was earmarked exclusively for sale in exchanges. "Carriers order them at 10,000 at a crack," says Zippo's military sales manager.

MM

Coupons: A Flurry of Merchandising Activity

There seems to be no end in sight for skyrocketing coupon issues. But the rise in misredemptions and grocers' pressure to raise handling fees may cause their numbers to spiral downward.

Photos by Kate Patterson

By GUY LAMOLINARA
Managing Editor

IT ALL STARTED with an offer of a penny off on a new product called Grape Nuts. Little did the C.W. Post Co. know back in 1895 it had created a merchandising monster that would one day grow to colossal proportions.

Last year, a record 142.9 billion coupons were issued — a 20 percent increase over 1982's level, according to A.C. Nielsen. Over the past four years, says Nielsen, "couponing activity has increased by 76 percent, with distributions rising from 81.2 billion in 1979 to 142.9 billion in 1983."

And the number of redemptions has broken previous records, too. During the last four years, shoppers cashed in 62 percent more than the 3.44 billion redeemed in 1979. These 5.56 billion coupons saved cash-conscious shoppers a whopping $1.69 billion, Nielsen reports.

Not only has the number of redemptions increased in recent years, the incentive manufacturers are offering shoppers to purchase their products with a coupon are on the rise, too. From 1982 to '83 average face value went from 21.7 cents to 24.1 cents for grocery products. (Because of higher markups on nonfood items, especially H&BA, manufacturers can offer even greater inducements to pick up their products, an industry expert observes.)

Even beer makers, the last major holdouts in coupon merchandising, have joined the fray. So far the duopoly of No. 1 Anheuser-Busch and second-ranked Miller Brewing, have not issued coupons, but they are closely watching the results coupons bring to such companies as G. Heileman Brewing and Stroh Brewery.

Because couponing for alcoholic beverages is legal in only 14 states, coupon efforts are being teamed with by-mail refund offers in those states prohibiting alcoholic-beverage coupons.

Surprisingly, coupons account for the smallest portion of major food-advertising expenditures. Their value, however, has risen sharply, from less than 6 percent of total budgets in 1970 to 11 percent in 1979.

Despite these optimistic figures, all does not bode well for the fate of these cents-off certificates. Increasing misredemptions, complaints from supermarketers on the high handling costs and pressure from these same grocers to raise the handling fee may mark the beginning of the end of couponing's charmed past. No one is predicting a precipitous drop in coupon issuance, at least not yet, but *BusinessWeek* magazine says these factors may prove to be "too high for the current binge to last."

Judging by the wave of coupons flooding exchange and commissary checkout lanes, however, "alive and well" may be an understatement when applied to the resale systems' coupon redemptions.

Millions and Millions

For the commissaries, the Big Daddy of the coupon redeemers was AFCOMS, which accepted an astonishing 70,337,449 coupons in FY 1983. Total value of the coupons: $19,093,746.

Navy commissaries redeemed $5,767,000 in coupons last year, and

TSA cashed in 27 million for a grand total of more than $7 million in customer savings.

The giant of the exchange systems, AAFES, took in 2,369,000 coupons in 1983 for a total of $1.456 million in customer savings. Navy exchanges report accepting $1,194,547 last year.

Obviously, coupons are here to stay, and unlike civilian stores, which frequently report they lose money on every coupon they redeem because the manufacturer's handling fee doesn't cover their costs, commissaries actually "profit" from the fee.

This is because the profit-oriented retailers outside the gate, who must pay wages far higher than commissaries do, report that the manufacturer's handling fee exceeds theirs — by many thousands of dollars. For example, TSA says it contributed $769,738 to its operations and maintenance fund, and that was only for the first quarter of FY 1984.

An AFCOMS' accounting official reports similar good news: It costs the agency only 3 cents to process a coupon. With the most commonly paid manufacturer's fee set at 8 cents per coupon redeemed, this means that the agency can pump in 5 cents to its operations and management fund for each of the more than 70 million coupons it accepted last fiscal year.

Navy Exchanges report that it costs a mere 0.00864 cents to process a coupon.

Increasing pressure from grocers to up the handling fee to as much as 10 cents would mean even more money in the resale systems' tills. According to a study done in 1979 by Arthur Andersen & Co., even then some retailers were losing money each time they accepted a coupon. The study said it cost from 5.22 cents to 8.96 cents to redeem a single coupon, averaging 67 percent higher than when the study was conducted in 1974.

The most recent study, in 1983, showed costs had increased to between 5.13 cents and 12.07 cents.

A little over a year ago, Procter & Gamble raised the handling fee from 7 cents to 8 cents. The move was quickly followed by companies such as General Mills, Ralston Purina and Kraft. The 8-cent fee is now the standard in the industry.

According to Carol Boyd, a spokeswoman for P&G, "We raised the fee, in response to the study, about 15 minutes after the study was released."

Although many manufacturers balked at the idea that the handlng fee should be increased, Boyd says P&G took an active role in seeing to it that the study was done.

Who Uses 'Em and for What?

Studies by the Department of Agriculture show that those who could benefit from coupons most — lower income customers — use them least. The reasons vary from simply not being aware of coupons' value in reducing food expenditures to not receiving enough magazines, newspapers, etc. that contain coupons.

Not only do households that use coupons most frequently have the most income, they also have larger families, says a study by John Blair Marketing and Donnelley Marketing.

These same people also spend "significantly more money per shopping trip," the study shows. "Heavy" redeemers (those using three or more coupons per trip) cut their food bill by at least $2.

Although grocers complain that coupons cause them to lose money, the report concludes that, "supermarkets make a lot more money from cents-off coupons than is commonly realized. Coupons, in fact, tend to increase store sales volume and profitability by influencing consumer behavior in a variety of ways that also serve the manufacturers' main marketing objectives."

One of these objectives is to promote impulse buying, which the study says couponing does. Even though profitability is not a controlling factor in a commissary's operations, increased sales certainly are.

Anthony Gallo, of the USDA's Economic Research Service, also notes that, "there is no evidence that food prices would drop in the absence of coupons because manufacturers could shift to other types of advertising."

Only about 4 percent of coupons issued were redeemed last year, and redemptions have hovered around this mark since 1979. Thus although coupon issues have risen steadily during this period, marketers' effectiveness in getting customers to redeem them has not. Of those redeemed, 60 percent were in food stores.

The products most often couponed are in the highly competitive categories of coffee, prepared foods, breakfast cereals and flour and flour-mix products, which account for only 10

(Continued on page 38)

The Coupon Controversy Continues

THE CONTROVERSY of coupon misredemption still plagues the industry, with some experts estimating that as much as 20 percent of all those redeemed are done so fraudulently. This means that of the 5.56 billion redeemed last year, as many as 1.1 million of those may have been illegally cashed in.

Some of the misredemption is seemingly innocent, such as when a cashier mistakenly accepts a coupon past its expiration date or for a product never purchased.

Some commissary managers tell MILITARY MARKET that they really don't have any significant problems with misredemption. "I make sure my cashiers check all coupons for the expiration date and that the customer really bought the product. And I put the fear of God in them, too," an AAFES store manager says. "If they are caught purposely accepting a coupon for products not purchased, they will be fired."

Says another store officer: "Coupon fraud is mostly inadvertant. Cashiers don't check expiration dates."

One manager did speak of a cashier he fired for "sweethearting" coupons. "Helping her buddy helped her get fired," he said.

The Food Marketing Institute reports that the greatest problem with misredemption involves printing and "gang" cutting of mass quantities of coupons.

The Sting

One of the more novel and to some observers, problematic, ways of trapping coupon violators was a "sting" operation conducted May 1983.

Blair Marketing, a major printer and distributor of newspaper advertising inserts, ran a coupon in a Sunday newspaper insert in the New York *Daily News* and *Chicago Tribune*. An offer of 50 cents off a nonexisting product, Essent shampoo, resulted in identification of several possible coupon violators who took the bait.

The newspapers involved had no idea the coupons were "dummies." They were thus perturbed at the prospect of being "used" in the scheme. There is also the question of entrapment when such traps are set.

Operation Essent was funded by the American Society for Industrial Security. Of the more than two dozen committees the society maintains, the Coupon Security Committee works only on coupon fraud.

The Essent effort was not the first time such an operation has been tried. In Detroit in 1982, Attract shampoo was the fictitious product for which a coupon was issued. Fewer than 25 stores turned in the coupons.

Probably the most successful of the sting operations was for the fictitious Breen detergent back in 1978. The ads, placed in the New York *Daily News*, *Newsday* and the Newark *Star-Ledger*, turned up 142 convictions in New York and 71 in New Jersey. says the Postal Service.

This operation showed that the major sources of coupon crime are:

- legitimate stores intentionally submitting coupons for products never sold,
- single stores submitting coupons under several pseudonyms,
- and operators who scheme with legitimate retailers. These operators "gang" cut coupons and cook up deals with reatilers to submit the coupons for them; the retailer and operator agree to split the take.

Checkpoint Charleys

Although coupon clearinghouses maintain checks on coupons fraudulently turned in for redemption, many inevitably fall through the cracks. It is impossible to verify the validity of every one of the billions turned in.

When a coupon's validity is in question, the clearinghouse may ask the manufacturer if it should be redeemed. If an unusually large number of coupons for a product is turned in by a single retailer, that retailer may be asked to submit proofs of purchase for the couponed products.

Advertising Age magazine has described coupon fraud as "a problem that simply will not go away." Although the 20 percent misredemption rate is probably not increasing, the number of misredemptions still is. Reason: The mushrooming of coupon issues.

Industry experts say most of the money paid to fraudulent "dummy" companies is to organized criminals who buy newspapers in bulk, clip the coupons "gang" style, and turn them into a clearinghouse. Some perpetrators of coupon fraud have even been known to print coupons themselves.

The U.S. Postal Service has gotten in on enforcement efforts. Since use of the mails is essential to the schemes' success, sending coupons for fraudulent redemption via U.S. mail is a federal offense.

Even newspapers that print coupons are joining in helping to stem the illegal activity. The Cleveland *Plain Dealer*, for example, will not refund its carriers for unsold newspapers unless those papers are returned to its offices.

GVF Communications, one of the major suppliers of coupons, has sponsored a workshop called Promotion Watch. One of the goals of the program is to encourage companies to turn in names to law-enforcement officials of suspected coupon bandits. Many companies simply refuse to redeem the coupons in question.

In 1979, when a coupon-fraud ring was nabbed, the before-and-after picture gave manufacturers and retailers an idea of how big the problem of misredemption really is. In June 1979, when the ring operated, 5 million coupons were submitted for redemption from the San Francisco area. A year later, after the ringleaders had been caught, the figure plummeted to just over 3 million.

Members attending the workshop were urged by coupon suppliers to regulate themselves rather than let Congress interfere. Many marketers, however, are pushing for congressional action. The suppliers do not support the move because they fear any federal legislation will come with unwanted attachments concerning coupon regulation. Such was the case when credit card companies pushed for federal legislation against criminals, only to find themselves saddled with the unwelcome truth-in-lending law.

Even though those working to combat fraud have made some headway, there is no end in sight to the mounting problem. Coupon fraud's profitability means it's here to stay — for a very long time.

— G.L.

COUPONS

(Continued from page 35)

percent of totals at the checkout but a whopping 60 percent of the value of coupons redeemed, USDA reports.

One complaint of commissary managers is that manufacturers' coupons reduce their control of precious shelf space. "There's pros and cons to them. Yes, they help me sell more product, but on the minus side, they mess up my store because I have to stock more of the couponed item to keep up with demand. They also make it difficult to control not-in-stock situations when I can't get enough of the item to meet demand," grumbles a Marine commissary officer. "And when I'm out of an item, especially one with a coupon, my customers are doubly angry."

Some consumer groups have charged that coupons promote unhealthy eating because they are most often issued for highly processed foods. Whether processed foods are nutritious is a matter for debate, but what is indisputable is that coupons are primarily offered for storable, branded items, rather than for less processed, perishable products.

They also have little effect on the demand for raw farm products for a similar reason: Coupons are mostly used to promote foods with a low farm value compared with retail purchases, says USDA.

Media Rules the Roost

Which factors influence a shopper's redeeming one coupon and not another? The answers are probably as myriad as the couponed products themselves. Maybe the coupon's for a new product the customer feels he just *has* to have. It could be for a product the customer already has a brand attachment to. Perhaps the shopper is thinking about switching brands, or has no particular allegiance to any one brand, and will buy whatever product in the category he can redeem a coupon for. A coupon in a hard-to-find place in the newspaper may spell disaster for its redemption rate, or maybe the coupon won't get clipped for the seemingly minor consideration that the reader doesn't have a scissors handy.

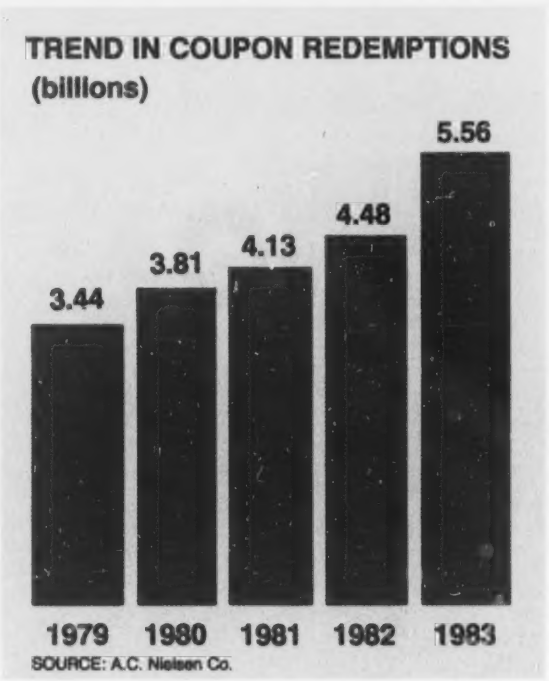
According to Nielsen, the method of distribution is among the most important factors influencing redemption, with instant on-pack coupons, at 24.7 percent, far outpacing the No. 2 redemption rate, 18.3 percent, for regular in-pack coupons. Among the print media, direct mail is the most commonly cashed in coupon, at 8.9 percent, followed by magazine pop-up coupons, at 5.1 percent. For newspapers, the free-standing Sunday insert is the most effective, with a 4.3 percent rate. (These figures apply to grocery products only.)

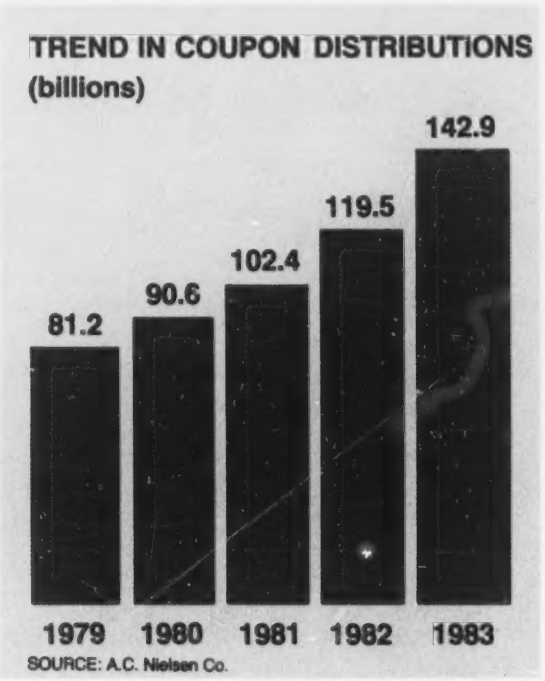
What Good Are They?

Despite the increasing costs for manufacturers to issue coupons, they are still willing to swallow the sometimes bitter pill for the sake of the benefits. Coupons are not a cure-all for an ailing product or for a struggling new one either, but they do help increase a product's exposure. "Coupons are an efficient way to encourage trial and re-trial of our products in the belief they meet consumers' needs better than a competitor's product," Boyd tells MILITARY MARKET. "But in order to work, consumers must have some interest in the product category. The future of a product depends entirely on customer satisfaction. No marketing plan can influence repurchase if a customer doesn't need or want the product," she warns.

Another manufacturer agrees: "We learned our lesson the hard way. We tried to use coupons and other devices but finally gave up when we realized the public just didn't *want* it [the product]. It was an expensive lesson, and we have learned to put more money into R&D [research and development] than into reviving dying brands."

In general, MILITARY MARKET has found that manufacturers are strongly





in favor of coupons and their continuance as a marketing tool. "I can think of no other way that better encourages product trial than a coupon," says the military sales manager for a major H&BA firm.

And although consumer groups have complained vociferously about coupons' share of the food bill, their cries have mostly fallen on deaf ears. "Couponing adds only three-tenths of 1 percent to the costs of products in couponed categories," says P&G's Boyd, "and this amount could not be reflected in reduced prices. Without coupons, grocery bills would be higher," she says unequivocally.

These same critics have suggested that manufacturers find alternative methods of promotion, but Boyd responds that, "if there were a more effective method of promotion, manufacturers no doubt would use it. Coupons have been overwhelmingly accepted" by the public.

Commissary managers randomly called by MILITARY MARKET are no exception. "We want as many of them as we can get," a TSA store manager says. "Sometimes the reps don't give me enough coupons for a [promoted] product, so the customer loses out — and so does the rep and his boss [the manufacturer]."

An AFCOMS store officer says the benefits of coupons far outweigh any difficulties his store might have with their redemption. "Sometimes we don't get credited for coupons we accepted after their expiration date, but this happens so infrequently that it's not a big problem."

Some managers are vigilant about getting coupons into their stores. This NAVRESSO officer from the Norfolk area says, "I always look in grocery stores outside tha gate for items that have a coupon, and if I don't have that coupon in my store, I call our broker and I want to know why not. Our customers deserve every break they [civilian shoppers] are getting."

This same officer does, however, express a major complaint about coupons. Says he: "It takes too long for my cashiers to check the coupon for expiration date, the size of the pur-

CASHIER M. FORTUNE checks a "small" stack of coupons for expiration dates and proof of purchase before keying them into a register at the Fort Belvoir, Va., commissary.

MANUFACTURER COUPON | NO EXPIRATION DATE

SAVE 30¢

When you buy one any size

Jemay

5 12345 12330

LIMIT ONE COUPON PER PURCHASE

A. L. JEMAY COMPANY

Example of a coupon conforming to trade-practice recommendations for standardization
SOURCE: Grocery Manufacturers of America

chase required, etc. They need to standardize them."

Industry Recommendations

The officer would be glad to hear tnat just such a thing is afoot within the grocery industry. Coupon standardization was the focus of a seminar at the Food Marketing Institute's annual convention last May in Dallas and is also the subject of a pamphlet issued by the Grocery Manufacturers of America.

"Trade Practice Recmmendations for the Grocery Industry" was a result of the Andersen study on redemption costs. GMA says the potential savings for the industry are enormous, should its recommendations be adopted. "The potential savings and avoidance of cost increases totaling $88 million to $129 million were identified," in the report.

Although many of the savings can only be realized through change on the part of commissaries and civilian grocers, a sizable portion of the costcuttting measures must come from the issuers of coupons themselves. The report cites several manufacturer practices that contribute to increasd coupon-handling costs.

Coupons of nonstandard sizes, shapes, formats and materials cause increases in processing. The GMA recommends:

- coupons be distributed in standard sizes and shapes,
- that they be of a texture and weight that can be processed efficiently,
- that those coupons distributed through print media should, whenever possible, be perforated or positioned in such a way that it encourages consumers to submit them in good condition for easier check out and permits mechanical identification and counting.

As for the format itself, the GMA suggests:

- the terms of the coupon offer should be stated in simple, easy-to-read language on the coupon itself,
- that the words "manufacturer coupon" be printed in boldface type at the top of the coupon in an outlined area,
- that the value be clearly stated and prominently shown,
- and that purchase requirements be clearly stated and prominently shown on the coupon's face.

One of the thorns in many a cashier's side is finding the expiration date, if the coupon has one at all. Manufacturers could not have made this task more confusing — to both consumer and cashier alike — had they planned on doing so. An AFCOMS cashier in Virginia puts it this way: "It probably takes me from five to 10 seconds to check out a coupon to make sure it's OK to accept. I can almost always remember if the customer purchased the [required] product, but finding the expiration date, that's another story altogether. You never know where it might be. Sometimes it's on top, sometimes on the bottom, sometimes on the back, or sometimes there's none at all. But I still have to look all over the coupon just to make sure there really is no expiration date. I just wish they'd quit printing them with expiration dates. It'd make my job a helluva lot easier."

The GMA has answered her prayer. The only problem left is to convince manufacturers to agree with GMA's recommendation that "expiration dates should be avoided whenever possible."

And if an expiration date must be used, it should be in bold type immediately following the words "manufacturer coupon" in the same outlined area. The words "no expiration date" should also appear in the same area, if used.

Although many manufacturers have taken this step, others seem to be going in the opposite direction. Instead of dropping the expiration date, they are shortening it, affixing phrases like "hurry, coupon expires Dec. 31, 1984," in an attempt to increase redemption and control promotional periods.

One manufacturer familiar with the GMA recommendations reasons, "If you don't have an expiraton date, you have a lot of coupons out there with no way of determining when they might be redeemed. You have no way of judging the effectiveness of a [coupon-related] promotion since you never know when you won't get any more" redemptions of a particular coupon.

A spokesman for a major coupon clearinghouse has his own reasons for opposing the elimination of expiration dates. "It's expensive for us to keep a hole open indefinitely for a coupon that may never come in again" because it was issued so long ago.

The "hole" he was referring to is literally one of thousands of pigeonholes in which workers, in places such as Haiti as well as the United States, pop thousands of coupons a day into their proper slot. Many of the Haitian workers don't even know what a coupon is for. They work for wages about one-fifth the U.S. minimum wage, doing their job more by rote than by comprehension.

Machine-Readable Coupons

Just as POS scanning systems have changed the way cashiers, accountants, store managers and nearly everyone in those commissaries that have scanning do their jobs, so too are the systems beginning to infiltrate coupon procedures. The methods of processing are changing with the goal of reducing handling costs.

The GMA has recommended that, "coupons be encoded with a symbol that conforms to Universal Product Code guidelines." Paul Kelly, GMA's vice president for marketing, urged manufacturers at the FMI meeting last May to "develop software for coupon scanning." Many have already done so, with more on the way.

Three factors have stifled the use of scannable coupons, says Timothy Hammonds, FMI's vice president for research:

- There was a dispute over who owned the patent rights to use bar codes — a developer of a coupon-scanning system or manufacturers. Two courts have decided in favor of manufacturers, but those decisions may be appealed.
- There were not enough stores using scanning to make development of a coupon-scanning system practicable. But since about 25 percent of all civilian stores now have the system, this is no longer a roadblock.
- POS systems must be modified so the scanner can check if the proper item was purchased and then be able to deduct the amount from the bill. An NCR official estimates costs will run as much as $5,000 per store.

Besides the savings from reduced handling times, the system will target shoppers who prey on cashiers who either don't remember which products were purchased or don't care. The system will not accept coupons for products not purchased.

Paul Kiernan, Safeway's industrial engineering department manager, suggests that manufacturers and grocers share the costs since both will benefit from coupon scanning.

Another benefit of coupon scanning is that it enables electronic matching of coupon redemptions with actual purchases. This will allow store managers to check on cashiers who redeem coupons for items not purchased.

To accept or not to accept coupons is an issue manufacturers, retailers, commissaries and consumers themselves will disagree on for years to come. But what they all admit, says P&G's Boyd, is that, "Coupons help sell merchandise."

MM

H&BA: New and Improved Varieties Fuel OTC Sales

The military's emphasis on health and fitness, a trend toward self-medication, innovative new products and the over-the-counter availability of drugs that were once prescription only are among the forces helping to drive the H&BA market upward in both commissaries and exchanges.

By JAY BLUCHER
Associate Editor

ONE ASPECT THAT H&BA products have going for them that perhaps no other category of products can claim, is that they are used daily by all segments of the population. The market universe for H&BA appears to be, well, *universal*.

However, H&BA items also have some of the most fiercely loyal consumers, shoppers who often appear unwilling to try new products or substitute brands when their first choice is not available. "Consumers will drive out of their way for a particular brand of shampoo if they don't find it on the shelves," observes one AAFES store manager, "so you have to monitor them closely for out-of-stocks."

H&BA marketers view the military as fertile soil for H&BA brand loyalty to grow and be carefully nurtured. One marketer describes the H&BA market as "a bastion against the tide of eroding brand loyalty among American consumers."

There is certainly no dearth of products to choose from, either. A classic example of brand proliferation exists in the shampoo subcategory, where in 1956, there were a total of 1,200 H&BA products on the market, and in 1983, there were 1,083 *shampoos* alone, according to Towne-Oller statistics.

The military's burgeoning ranks of young people and recently married couples, makes this arena what one marketer calls "an excellent area to establish brand loyalties."

One exchange manager perceptively points out that, "When these young people leave the service. they take along with them shopping patterns and preferences that they have acquired by shopping in the exchanges and commissaries."

Additionally, the military services' particular interest in good health and physical fitness have favorably influenced the sale of H&BA products in the exchanges, especially for such subcategories as vitamins, oral hygiene and self-medication products.

In FY 1983 AAFES recorded total H&BA sales of more than $267.8 million, and in 1982 registered sales of $256.7 million. Based on AAFES' sales through December 1983, retail dollar sales for FY '83 are projected to be about 4.4 percent ahead of FY '82.

Although outwardly this appears encouraging, AAFES officials say that considering the higher cost prices that have been experienced in 1983, this 4.4 percent increase basically reflects inflationary factors, with real unit growth being in the 0.5 percent — 1 percent range. For FY '84, the resale giant is projecting retail sales of $281.2 million, approximately 5 percent ahead of FY '83 estimates.

AAFES buyers are optimistic, citing several factors they believe point to even better 1984 H&BA sales, such as, striving toward a more up-to-date assortment, improved distribution of products, competitive prices, intense promotional activity, plus continued upward sales in ethnic and AAFES-brand H&BA items *(See chart for complete listings)*.

Overall, the H&BA department contributes 7.7 percent of AAFES' total sales. NAVRESSO reports its H&BA sales contribute about half that much, 3.5 percent toward the Navy exchange's total retail departments. NAVRESSO posted more than $44.5 million in 1983 sales.

AAFES' H&BA buyers report they attend such trade shows as the Chicago Housewares Show, Beauty and Barber Institute, Chicago Private Label and Las Vegas Sunglass Trade shows. NAVRESSO buyers tell MILITARY MARKET that in place of attending trade shows, they prefer to carefully watch the product movement reports within the H&BA aisles.

Brush Returns

Many H&BA categories are sporting new products that will begin entering the military pipelines shortly. For example, Gillette is introducing Brush Plus this fall, an all-in-one brush and shaving-concentrate system. The company predicts that the product will create a niche all of its own. Or at the very least, Gillette hopes to take a sizable bite out of the 55 million so-called wet shavers. More than 83 percent of those shavers use aerosol products.

During the past year, the company has been concentrating on repositioning Right Guard with a $28 million promotion budget and establishing Body Flowers, a new deodorant/cologne with an $11 million advertising introduction.

An Alternative to the Tube

There has been some radical innovation taking place in the toothpaste aisles lately. The first real trend that started a few years ago was gels, which now, incidentally, account for 35 percent of the market in AAFES' outlets. Marketers are predicting that the second wave of innovation will center on pumps, a new and novel method of dispensing toothpaste.

First out of the gates was Check-up, a pump dispenser toothpaste from Minnetonka Inc., the same folks who introduced SoftSoap. Check-up is the result of an agreement between Minnetonka and West German-based Henkel KG, which has been marketing a similar product in Europe under the Thera-Med brand name for several years. Company officials say they are counting on Check-up to be as significant as SoftSoap was when it was first

introduced.

Minnetonka's introduction was the opening salvo in what has sparked a new marketing war. Colgate-Palmolive is also rolling out a pump-dispenser toothpaste under its Colgate brand name, which is now available in both commissaries and exchanges.

Unlike many companies which tend to treat the military market as a separate and distinct entity unto itself, Pat Manzione, military sales manger for Colgate-Palmolive tells MILITARY MARKET, "We look at our military parton as a *Colgate* customer, and not a *military* customer, exclusively. It's always been our philosophy to offer the same products, even in test markets, to the military as [we offer] the civilian population."

In addition, further competition is expected to come from both Lever Bros., and industry giant P&G, which are already working on pump-dispenser products. Analysts and trade sources expect P&G to follow quickly with a line extension of its Crest line, the market leader in this category

SALES OF AAFES BRAND H&BAs

DESCRIPTION	SOURCE	ANNUAL UNITS	SELL PRICE
Toothpaste, smokers 6.4 oz.	Iodent	75,400	$1.39
Toothpaste, reg. fluoride 6.4oz.	Perrigo	100,900	.79
Toothpaste, mint fluoride 6.4oz.	Perrigo	120,300	.79
Toothpaste, gel 6.4 oz.	Perrigo	65,100	.89
Mouthwash, green 24 oz.	Pennex	173,200	.79
Shampoo, cond. slf-adj. x-bod, 16 oz.	Iodent	43,200	1.29
Shampoo, self-adj. reg. 16 oz.	Iodent	33,100	1.29
Shampoo, green x-rich 16 oz.	Pennex	41,100	1.39
Shampoo, golden 32 oz. (recalled)	Pennex	116,300	.99
Shampoo, balsam/protein reg. 16 oz.	Pennex	101,100	1.19
Shampoo, herbal 16 oz.	Iodent	87,900	1.09
Shampoo, dandruff lotion 11 oz.	Perrigo	86,000	1.49
Shampoo, professional 12 oz.	Iodent	57,000	1.59
Shampoo, concentrate 7 oz.	Iodent	96,200	1.29
Shampoo, dandruff concentrate 7 oz.	Iodent	75,200	1.29
Conditioner, regular balsam 16 oz.	Pennex	91,600	.99
Rinse, professional 12 oz.	Iodent	32,800	1.59
Razor blades, cart. 9s	ASR	579,400	1.79
Razor blades, adj. cart. 10s	ASR	255,200	1.99
Razor blades, DE 10s	ASR	482,800	.89
Razor blades, injector 11s	ASR	239,600	.99
Razor, swivel-head disp. 6 pk.	ASR	250,000	1.09
After shave lotion, plastic bottle 6 oz.	Pennex	100,000*	1.09
After shave lotion, glass bottle 4 oz.	Pennex	135,500	.79
Bar soap, moisturizing white 5 oz.	Hewitt	150,000	.39
Bar soap, deodorant gold 5 oz.	Hewitt	200,000	.39
Bar soap, green marbelized 5 oz.	Hewitt	305,000	.39
Soap, liquid 17.5 oz.	Amole	25,000	1.39
Bath oil, childrens 32 oz.	Amole	20,600	1.19
Bath oil, skin care 16 oz.	Pennex	57,900	1.79
Bath oil, honey/almond 32 oz.	Amole	65,000	1.19
Bath oil, apricot 32 oz.	Amole	65,000	1.19
Bath oil, foaming peach 32 oz.	Amole	36,700	1.19
Bath oil, foaming strawberry 32 oz.	Amole	73,300	1.19
Milk bath, pink 32 oz.	Amole	64,000	1.19
Powder, shower/bath 13 oz.	Iodent	89,900	.99
Deodorant, stick 2.5 oz.	Iodent	130,400	1.09
Cosmetic puffs, rayon 300s	Am. White Cross	164,400	.59
Cold Creme, 7.5 oz.	Pennex	43,400	1.49
Skin cream, medicated 16 oz.	Pennex	92,600	1.19
Skin lotion, cocoa butter 16 oz.	Iodent	199,500	1.09
Beauty lotion, moisturizing 4 oz.	Iodent	45,600	1.49
Skin care lotion, 16 oz.	Pennex	196,000	.99
Suntan lotion, 8 oz.	Pennex	68,700	1.19
Nail polish remover, 8 oz.	Vi-Jon	274,540	.69
Maxi pad, 30s	Hosp. Special	60,000*	1.69
Mini pad, 30s	Hosp. Special	54,000*	1.29
Facial tissue, pocket pack 12/10 ct.	Diamond	204,000*	.89
Facial tissue, 200s 2-ply	Kimberly	493,600	.59
Paper towel, jumbo 100 ct.	Kimberly	623,900	.59
Toilet tissue, 4-roll asst. colors	Kimberly	418,200	.89
Toilet tissue, 4-roll white	Kimberly	151,600	.89
Rubber gloves, yellow large	Eagle	24,600	.79
Rubber gloves, yellow small	Eagle	38,200	.79
Rubber gloves, yellow medium	Eagle	37,400	.79
Aspirin, safety cap 250s	Cumberland	241,600	.99
Aspirin substitute, reg. 100s	Chase	20,100	.99
Aspirin substitute, x-strength 100s	Chase	92,200	1.29
Mineral oil 16 oz.	Cumberland	36,400	1.29
Epsom salts, 16 oz.	Pennex	64,600	.59
Laxative, natural 14 oz.	Pennex	43,700	2.49
Cold capsules, time release 20s	Pennex	97,000	.99
Cold medicine, liquid 6 oz.	Pennex	166,500	1.09
Cough syrup, DM 6 oz.	US Drug	49,100	1.09
Alcohol, ethyl 16 oz.	Cumberland	139,000	.59
Alcohol, isopropyl 16 oz.	Pennex	516,000	.49
Hydrogen peroxide, 16 oz.	Pennex	213,600	.49
Witch hazel, 16 oz	Cumberland	65,700	.79
Merthiolate, 1 oz.	Cumberland	28,900	.49
Calohist lotion, 6 oz.	Pennex	48,900	.99
Plastic adhesive bandages, 80s	Acme	73,800	1.19
Cotton balls, 300s	Am. White Cross	366,100	.69
Petroleum jelly, 16 oz.	Pennex	175,700	1.19
Vitamin, multiple w/iron 100s	Vita-Fresh	109,000	1.09
Vitamin, C 500mg chewable 100s	Scherer	55,200	1.69
Vitamin, chewable mult. 100s	Vita-Fresh	86,300	.99
Vitamin, natural mult/minls 100s	Vita-Fresh	36,400	1.99
Vitamin, hi-pot mult/minerals 100s	Vita-Fresh	35,500	1.99
Vitamin, mega/minerals 100s	Vita-Fresh	26,700	3.99
Vitamin, multiple 100s	Vita-Fresh	61,300	.89
Vitamin, C chewable 250mg 100s	Scherer	111,900	1.09
Vitamin, E 200 IU capsules 100s	Chase	152,900	1.69
Vitamin, B-6 100s	Scherer	62,900	1.09
Vitamin, A 10,000 USP 100s	Chase	106,500	.99
Vitamin, E natural 400 IU 100s	Chase	337,300	3.99
Vitamin, B-12 100s	Scherer	93,300	.99
Vitamin, therapeutic w/minerals 100s	Vita-Fresh	164,100	1.99
Vitamin, E 400 IU 100s	Chase	217,300	2.99
Vitamin, C 500mg 100s	Scherer	123,700	1.59
Vitamin, multiple w/iron 250s	Vita-Fresh	69,300	2.19
Vitamin, C 500mg 250s	Scherer	76,200	3.09
Vitamin, multiple 250s	Vita-Fresh	41,500	1.89
Vitamin, C 1000mg 100s	Scherer	98,200	2.99
Vitamin, E 1000 IU 50s	Chase	189,600	2.99
Vitamin, multiple w/minerals 100s	Vita Fresh	97,000	1.99
Vitamin, B-50 tablets 100s	Vita-Fresh	67,300	2.69
Vitamin, stress formula 100s	Vita-Fresh	44,900	2.49
Vitamin, stress formula w/iron 100s	Vita-Fresh	85,300	2.59
Vitamin, B-1 100mg 100s	Scherer	30,000	1.29
Vitamin, C w/rosehips 500mg 100s	Scherer	65,100	1.69
Vitamin, C time-rls 500mg caps	Freshlab	57,100	2.49
Vitamin, stress form. w/zinc 100s	Vita-Fresh	34,800	2.49
Lecithin, 100s	Chase	172,900	1.99
Wheat germ oil, capsules 100s	Chase	27,200	.99
Cod liver oil, capsules 100s	Chase	39,000	1.19
Brewers yeast, 500mg 300s	Amcon	41,900	1.29
Iron tablets, 5gr 100s	Amcon	62,800	.99
Dolomite tabs, 100s	Amcon	49,400	.89
Chewable multi-iron, 100s	Vita-Fresh	41,700	1.19
Kelp-lecithin-B6, 100s	Chase	32,000	1.99
Zinc tablets 30mg, 100s	Amcon	66,600	1.09
Calcium tablets, 100s	Amcon	104,600	.99
Potassium gluconate, 100mg 100s	Amcon	44,220	1.09
Diet caps, w/o caffeine, x-strength 40s	Perrigo	114,400	1.29
Gelatin capsules, 100s	Tishcon	40,200	1.49
Baby powder, 14 oz.	Pennex	189,100	.99
Baby lotion, 16 oz.	Iodent	134,500	1.09
Baby oil, 16 oz.	Pennex	368,600	1.19
Baby shampoo, 16 oz.	Iodent	123,900	.99
Cotton swabs, 300s	Acme/Chaston	228,500	1.19
Disposable, towelettes/wipes 80s	Nice-Pak	80,600	1.99
Insole, tingle feet 1580 men's med	Sentinel	62,500	.79
Insole, tingle feet 1580 men's lg	Sentinel	69,400	.79
Insole, tingle feet men's x-lg	Sentinel	32,600	.79
Insole, tingle feet ladies med	Sentinel	33,100	.79
Insole, tingle feet ladies lg	Sentinel	35,700	.79
Insole, deodorant 1090 men's med	Sentinel	49,600	.69
Insole, deodorant 1090 men's lg	Sentinel	59,200	.69
Insole, deodorant ladies med	Sentinel	21,900	.69
Insole, deodorant ladies lg	Sentinel	21,800	.69

* New item, therefore volume is estimated

SOURCE: AAFES

with a 35 percent share.

Colgate, currently commanding a 22 percent market share, is firmly entrenched in the No. 2 position. Rounding out the category, Beecham's Aqua-fresh has 11 percent; Lever's Aim commands 10 percent; Lever's Close-up and Pepsodent each hold 7 percent, and Colgate's Ultra Brite and P & G's Gleem both secure 2.5 percent of the market.

For the last couple of years, the companies have been gaining business through gel line extensions. Crest's gel accounts for 10.5 percent of its total share and Colgate's 8.5 percent.

Market analysts point out that the new product should prove popular with children, who it is hoped will welcome the pump as a way to make the daily necessity of brushing their teeth less of a drudgery, and perhaps, even fun.

Ibuprofen: New Kid in Town

Pain relievers have been in the news lately, with marketers anxiously awaiting to see whether newly approved ibuprofen can knock aspirin and acetaminophen off the shelves. The recent introduction of this drug in an over-the-counter offering has thrown the industry into a competitive scramble, not to mention touching off a major advertising war to boot.

Head-to-head competion in this market is centered around both Bristol-Myers and American Home Products who have recently introduced versions of the product. Bristol-Myers' version is called Nuprin (it's actually made by Upjohn; Bristol-Myers markets it) and American Home Products' is named Advil. Their primary target is Johnson & Johnson's Tylenol, the leader in the lucrative $1.4 billion analgesics market.

Total over-the-counter consumer sales averaged more than $6 per person spent on nonprescription analgesics. In our pill-oriented culture, Americans pop more than 20 billion aspirin or aspirin-containing tablets annually — 46 per second, almost 100 tablets per person annually.

The pain reliever market represents the largest segement of nonprescription drug sales in the United States. According to various industry sources contacted by MILITARY MARKET, the pain reliever market breaks down as follows: Tylenol — 25 percent; Anacin/Anacin 3 — 14 percent; Excedrin — 8 percent; Bufferin — 8 percent; Bayer — 8 percent, while other brands, house brands and generics account for more than 37 percent.

Ibuprofen is an anti-inflammatory drug that has long been prescribed for arthritis and menstrual pain and is currently the fifth-largest-selling prescription drug in the U.S., under the Motrin label.

The companies have high hopes for the drug, citing some industry analysts' predictions for sales of ibuprofen to surpass the $200 million mark in five years. "The market for pain relievers is tremendous," says David F. Saks, a drug industry analyst for Becker Paribas. "Ibuprofen in all its brands may eventually command a market as big as $500 million."

"The stakes are so large that American Home Products has committed the largest advertising budget ever dedicated to the launch of a new over-the-counter drug to promote Advil," according to a company spokesman.

"The military has responded very well to the new drug, and we believe the military consumer is now aware that there are three over-the-counter options for pain relief — aspirin, acetaminophen and ibuprofen," says George Evans, spokesman for Bristol-Myers.

Protecting Tylenol against the new kid on the block's incursion is especially important to Johnson & Johnson, since that company spent $100 million recalling the product and untold millions in advertising to reassure its customers after cyanide-laced Tylenol caused seven deaths in the Chicago area in 1982.

Industry analysts believe Tylenol stands to lose market shares to ibuprofen, but also say that the analgesic market could expand from $1.4 billion last year to between $1.5 billion and $1.6 billion by year's end — in part due to the introduction of Advil and Nuprin.

Cough 'n' Colds

There's some big news on the cough 'n' cold front, as Kimberly-Clark Corp. has begun test marketing in the northeastern U.S. a product it calls Avert, a three-ply virucidal tissue that is specially treated to kill major cold viruses. The company belives Avert will prove to be a major advance in fighting the spread of viruses which cause colds and flu.

The $775 million facial-tissue category is dominated by Kimberly-Clark, which grabs an estimated 45 percent of the market on the strength of its Kleenex brand. Procter & Gamble's Puffs holds down the No. 2 spot with 20 percent, and Scott Paper Co.'s Scotties is No. 3 with a 9 percent share. Private label and generic brands garner the remaining 18 percent of the market.

The cough and cold category is described by Becker Paribas market analyst David Saks as a mature market. "The market seems to vary yearly in something of a 10-year cycle, in peaks and valleys. Right now, I'd say the market is in the latter part of a valley."

Overall, the cough and cold market valley climbed between 15 and 20 percent, according to various market analysts contacted by MILITARY MARKET. Cough and cold capsules, buoyed by brisk sales of so-called 'sustained action' varieties such as 12-hour Nyquil and others, accounted for more than $522 million in sales. Cough syrups accounted for $323 million; cough drops checked in with $168 million and nose sprays captured another $108 million.

Saks points out that there will always be a cold remedy market, as long as there is no cure. "There is no magic silver bullet to cure the common cold, so everything on the market right now merely tries to pacify the symptoms and discomfort of a cold. Like the cockroach, the common cold will be with us forever."

Adults average about one cold a year in the United States, with the peak season for colds running from Christmas through George Washington's Birthday. Saks sees this as a major factor in the market remaining mature. "Between the ages of 5 and 50, the majority of colds are usually minor, so the heavy half of the market is centered around the very young and old. The growth in the market is not related to the aging process. The level of incidence of colds is not changing — only the number of treatments for the symptoms are."

He also sees the trend toward self-medication as helping to boost this market segment. "Today's buying public is much more aware of health concerns," says Saks. "They seek to avoid going to the doctor as much as possible; it's antimotivating; it's hostile; it's much easier to take something for the symptoms."

Benefiting from this trend are the drug companies whose products have crossed over from the prescription category to over-the-counter aisles. Many drugs previously available by prescription have significantly increased their market by becoming more readily available to consumers. Notable examples include Afrin, which is now the No.1 nasal spray after crossing over; Chlor-Trimetron, whose sales have grown 12 to 15 times; and Drixoral, which went over-the-counter in 1982 and subsequently doubled its sales.

Saks points out that consumers increasingly believe that "anything that was once in prescription form must be better."

MM

Military Market index

Commissaries

		JUNE			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
Air Force	CONUS	$158,624	$154,763	+2.49	$909,517	$874,118	+4.05
	OVERSEAS	31,295	29,155	+7.34	179,331	174,166	+2.97
	TOTAL	**189,919**	**183,918**	**+3.26**	**1,088,848**	**1,048,284**	**+3.87**
Army	CONUS	109,515	103,425	+5.89	634,725	619,172	+2.15
	OVERSEAS	29,820	35,070	-14.97	201,810	199,774	+1.02
	TOTAL	**139,335**	**138,495**	**+0.61**	**836,535**	**818,946**	**+2.15**
Navy	CONUS	72,228	65,675	+9.98	366,382	330,178	+10.96
	OVERSEAS	8,640	7,259	+19.02	42,932	37,701	+13.87
	TOTAL	**80,868**	**72,934**	**+10.88**	**409,314**	**367,879**	**+11.26**
Marines	CONUS	13,495	11,817	+14.20	78,498	67,813	+15.76
	OVERSEAS	236	188	+25.53	1,225	1,131	+8.31
	TOTAL	**13,731**	**12,005**	**+14.38**	**79,723**	**68,944**	**+15.63**
Coast Guard	CONUS	222	313	-29.07	1,402	1,622	-13.56
	OVERSEAS	235	131	+79.39	1,592	1,027	+55.01
	TOTAL	**457**	**444**	**+2.93**	**2,994**	**2,649**	**13.02**
All Commissaries	CONUS	354,084	335,993	+5.38	1,990,524	1,892,903	+5.16
	OVERSEAS	70,226	71,803	-2.20	426,890	413,799	+3.16
	TOTAL	**$424,310**	**$407,796**	**+4.05**	**$2,417,414**	**$2,306,702**	**+4.80**
Grocery Stores	U.S.[1]	**$22.242 bil.**	**$20.565 bil.**	**+8.15**	**$125.836 bil.**	**$117.535 bil.**	**+7.06**

Exchanges

AAFES	CONUS	$249,029	$242,176	+2.83	$1,359,795	$1,329.070	+2.31
	OVERSEAS	159,371	156,314	+1.96	928,758	914,056	+1.61
	TOTAL	**408,400**	**398,490**	**+2.49**	**2,288,553**	**2,243,126**	**+2.03**
Navy	CONUS[2]	92,264	86,015	+7.27	509,955	493,884	+3.25
	OVERSEAS[2]	40,361	37,622	+7.28	214,874	212,502	+1.12
	TOTAL[2]	**132,625**	**123,637**	**+7.27**	**724,829**	**706,386**	**+2.61**
Marines	CONUS	28,626	27,985	+2.29	163,780	162,377	+0.86
	OVERSEAS	4,786	4,383	+9.19	28,318	28,692	-1.30
	TOTAL	**33,412**	**32,368**	**+3.23**	**192,098**	**191,069**	**+0.54**
Coast Guard	CONUS[3]	6,504	6,314	+3.01	36,302	35,224	+3.06
	OVERSEAS[3]	815	861	-5.34	4,531	4,803	-5.66
	TOTAL[3]	**7,319**	**7,175**	**+2.01**	**40,833**	**40,027**	**+2.01**
Mail Order	CONUS[4]	1,005	965	+4.15	7,866	7,193	+9.36
	OVERSEAS[4]	3,740	3,743	-0.08	23,699	23,297	-1.73
	TOTAL[4]	**4,745**	**4,708**	**+0.79**	**31,565**	**30,490**	**+3.53**
All Exchanges	CONUS	377,428	363,455	+3.84	2,077,698	2,027,748	+2.46
	OVERSEAS	209,073	202,923	+3.03	1,200,180	1,183,350	+1.42
	TOTAL	**$586,501**	**$566,378**	**+3.55**	**$3,277,878**	**$3,211,098**	**+2.08**
Department Stores	U.S.[1]	**$10.591 bil.**	**$9.254 bil.**	**+14.45**	**$54.748 bil.**	**$48.471 bil.**	**+12.95**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.